

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ADP-00 EB-11 OPIC-12 OMB-01 TRSE-00

CIAE-00 INR-10 NSAE-00 RSC-01 RSR-01 /047 W

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R 161121 Z MAY 73

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9759

INFO AMCONSUL MADRAS

AMEMBASSY NEW DELHI

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E. O. 11652: N/ A

TAGS: BGEN, EIND, BG

SUBJECT: INVESTMENT INTEREST OF MANSFIELD TIRE

REF: COMMERCE (OIFI) OM, APRIL 13

PASS COMMERCE FOR OIFI

SUMMARY: MANSFIELD TIRE FIRST US COMPANY NEW TO AREA TO EXPRESS INTEREST IN INVESTMENT BANGLADESH FOLLOWING JANUARY INDUSTRIAL INVESTMENT POLICY. BDG ANXIOUS TO HAVE IT COME IN AND OFFERS FULL SUPPORT. MANY SERIOUS CONSTRAINTS EXIST, BUT EMBASSY FEELS EXPLORATORY VISIT FROM MANSFIELDS MADRAS PLANT JUSTIFIED.

1. REF OM REPORTED INVESTMENT INTEREST MANSFIELD TIRE & RUBBER IN POSSIBLE JOINT VENTURE WITH PUBLIC SECOT IN TIRE MANUFACTURE IN BANGLADEHS. THIS IS FIRST SUCH EXPRESSION INTEREST BY US FIRM NOT PREVIOUSLY ASSOCIATED PAKISTAN, IN BD AS AREA OF INVESTMENT SUBSEQUENT TO ANNOUNCEMENT INDUSTRIAL INVESTMENT POLICY IN JANUARY.

2. ON DELAYED RECEIPT OF REF OM, EMBASSY CONTACTED DIRECTOR GENERAL/ INDUSTRY WHO MEMBER- SECRETARY, FOREIGN INVESTMENT BOARD; ACTING SECRETARY, NATIONALIZED INDUSTRIES DIVISION; MEMBER (INDUSTRIES, ETC.), PLANNING COMMISSION AND MAIN ARCHITECT

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INDUSTRIAL POLICY; AND CHAIRMAN, PUBLIC- SECTOR BANGLADESH FERTILIZER, CHEMICAL & PHARMACEUTICAL CORP (BFCPC). AWARE LACK OF SIGNIFICANT RESPONSE SO FAR BY FOREIGN FIRMS TO INVITATION IN INDUSTRIAL POLICY INVEST BD, ALL OFFICIALS CONSULTED EXPRESSED CONSIDERABLE INTEREST IN POSSIBLE MANSFIELD PROPOSAL AND OFFERED FULL SUPPORT.

3. BDG WOULD WISH MANSFIELD TO CONTRIBUTE CAPITAL AND TECHNICAL KNOWHOW. ACTING SECRETARY, NID MENTIONED PROVISION IN POLICY FOR MANAGEMENT CONTRACT FOR FOREIGN INVESTORS. HE AND OTHERS GAVE ASSURANCE THAT PUBLIC SECTOR WOULD ARRANGE FOR ADEQUATE LOCAL TAKA FINANCING. LAND WOULD BE PROVIDED BY GOVERNMENT ON LARGE PLOT IN MIRPUR, ON RIVER, NEAR DACCA, FORMER PROPERTY OF SMALL BICYCLE TIRE- PVC SHOE UNIT CALLED BUKSH RUBBER, AN " ABANDONED PROPERTY" FIRM (OWNED BY NON- BENGALIS) NOW TAKEN OVER BY BDG AND RUN BY BFCPC. AT BEHEST OF PLANNING COMMISSION, BUKSH RUBBER HAS TURNED OUT PROTOTYPE TRUCK, AUTOMOBILE AND SCOOTER TIRES; IF MANSFIELD WILLING, IT COULD IN PARTNERSHIP WITH BFCPC, TAKE OVER WHOLE OPERATION AND BUILD ON IT MODERN, ECONOMIC- SCALE PLANT. DG/ INDUSTRY ADDED ASSURANCES THAT ADEQUATE IMPORT RAW MATERIALS, ETC., WOULD BE ARRANGED. OUTPUT OF FACTORY- 1 ST AUTOMOTIVE TIRE PLANT IN COUNTRY- WOULD HAVE PROTECTED MARKET BANGLADESH, INCLUDING SOLE TRUCK/ BUS/ AUTOMOBILE ASSEMBLY PLANT, PRAGATI INDUSTRIES, ASSOCIATED WITH GENERAL MOTORS AND ALSO MASSEY- FERGUSON (TRACTORS). IMPORTS OF COMPETITIVE TIRES, NOW LARGELY JAPANESE, WOULD BE CUT BACK DRASTICALLY ONCE TIRE PLANT IN PRODUCTION.

4. RELATIONSHIP BETWEEN PARTIALLY FOREIGN OWNED COMPANY IN PUBLIC SECTOR, THE GOVERNMENT HOLDING CORP. UNDER WHICH IT COMES (BFCPC) AND GOVERNMENT BUREAUCRACY (NATIONALIZED INDUSTRIES DIVISION, ETC.), OF IMPORTANCE. PRAGATI (FORMER CHANDHARA) INDUSTRIES IS ONE OF FEW CURRENT EFFICIENTLY OPERATED PLANTS IN COUNTRY AND HAS ACHIEVED A REASONABLE AMOUNT AUTONOMY FROM ITS HOLDING CORP., BANGLADESH ENGINEERING & SHIPBUILDING CORP. BFCPC HAS FAIRLY GOOD TRACK RECORD. IN PAKISTAN- PERIOD INCARNATION AS PART OF EAST PAKISTAN INDUSTRIAL DEVELOPMENT CORP., IT WAS PARTNER WITH SQUIBB AND ALSO MAY & BAKER IN FIRST TWO " JOINT SECTOR" PLANTS ESTABLISHED HERE. OF ALL PUBLIC- SECTOR HOLDING CORPORATIONS, BFCPC PROBABLY WOULD BE LEAST INTRUSIVE.

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5. ON OTHER HAND, WASHINGTON AWARE OF COMPLEXITIES AND DIFFICULTIES INVESTMENT HERE (DACCA 1374) AND ALSO PRECARIOUS ECONOMIC CONDITION OF COUNTRY. DEMAND FOR TIRES, EVEN IN WHOLLY PROTECTED MARKET, WILL NOT BE GREAT IN COUNTRY WITH PERHAPS 2,500 MILES PAVED ROAD AND AROUND 65,000 VEHICLES; BULK OF TRANSPORT HANDLED BY COUNTRY BOATS, RAILWAYS, MECHANIZED INLAND FLEET.

6. IN ADDITION WASHINGTON ALSO AWARE THAT NEITHER OPIC NOR EXIMBANK CURRENTLY EXTENDING FACILITIES TO BANGLADESH. PROSPECT EARLY NEGOTIATION DOUBLE TAXATION AGREEMENT NOT HOPEFUL (STATE 80933).

7. NEVERTHELESS, EMBASSY FEELS TIRE INVESTMENT BANGLADESH WORTHY OF FURTHER INVESTIGATION AT LEAST BY MANSFIELD REPRESENTATIVE FROM MADRAS. BFCPC NOW AT WORK PREPARING NOTE ON TIRE INDUSTRY BANGLADESH INCLUDING CURRENT MARKET, PROJECTED DEMAND, FACILITIES WHICH COULD BE EXTENDED, AND BFCPC INTEREST. COPIES WILL BE FORWARDED DIRECTLY TO MANSFIELD/ MADRAS AND THROUGH COMMERCE TO MANSFIELD, OHIO. POINT OF CONTACT HERE SHOULD BE DR. S. A. MOMEN, CHAIRMAN, BFCPC, SHILPA BHABAN (BIDC BUILDING), MOTIJHEEL, DACCA 2.

8. WOULD APPRECIATE CONGEN MADRAS AIR- POUCHED EMBASSY ANY READILY AVAILABLE LITERATURE ON MADRAS RUBBER, INCLUDING HISTORY, CURRENT OPERATIONS, AND PLANS IF ANY FOR EXPANSION.
NEWBERRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DACCA02214
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730546/aaaajhdv.tel
Line Count: 137
Locator: TEXT ON-LINE
Office: ACTION COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: COMMERCE (OIFI) OM, APRIL 13
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Dec-2001 by shawdg>; APPROVED <08-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980217
Subject: INVESTMENT INTEREST OF MANSFIELD TIRE
TAGS: BGEN, EIND, BG, BGEN
To: COME
MADRAS
NEW DELHI
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005